

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2486 - SB 2701

February 11, 2018

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of agricultural trailers.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$449,800

Decrease Local Revenue – Net Impact – \$183,600

Assumptions:

- Exempting sales of agricultural trailers from state and local sales and use tax will result in a reduction in state and local sales tax revenue.
- The Department of Revenue cannot segregate tax collection data to show sales tax collections received solely due to agricultural trailers.
- Agricultural trailers come in a wide variety of models, with prices varying from several hundreds of dollars to multiple tens of thousands of dollars.
- The average number of agricultural trailer sales and the average price of agricultural trailers are unknown.
- Taxable sales for agricultural trailers under current law are reasonably estimated to be \$5,000,000 per year in Tennessee.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring decrease in state revenue of \$472,277 $[(\$7,000,000 \times 7\%) - (\$7,000,000 \times 7\% \times 3.617\%)]$.
- A recurring decrease in local revenue of \$192,723 $[(\$7,000,000 \times 2.5\%) + (\$7,000,000 \times 7\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$332,500 $[(\$472,277 + \$192,723) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$22,433 $[(\$332,500 \times 7\%) - (\$322,500 \times 7\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$9,154 $[(\$332,500 \times 2.5\%) + (\$332,500 \times 7\% \times 3.617\%)]$.

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- The net recurring decrease in state revenue as a result of this bill is estimated to be \$449,844 (\$472,277 - \$22,433).
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$183,569 (\$192,723 - \$9,154).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb